

Fiscal Note

BILL # SB 1086

TITLE: appropriation; unfunded liability; PSPRS; CORP

SPONSOR: Livingston

STATUS: As Amended by Senate APPROP

PREPARED BY: Molly Murphy

Description

The bill appropriates \$81.0 million from the General Fund in FY 2022 to the Public Safety Personnel Retirement System (PSPRS) to be deposited in multiple state PSPRS employer group accounts to eliminate the current unfunded accrued liability. The bill also appropriates \$6.7 million from the General Fund in FY 2022 to PSPRS to be deposited in several state Corrections Officer Retirement Plan (CORP) employer accounts to eliminate the current unfunded accrued liability.

Estimated Impact

The PSPRS/CORP employer contribution rates have 2 components. The first component is the normal cost, which is the immediate cost associated with the benefit being earned. The second component is the unfunded liability, which represents prior benefits earned by members that are unfunded due to changes in the plan's actuarial performance or assumptions. The bill's appropriation would eliminate the current unfunded liability for various state PSPRS/CORP employer groups, which would reduce the employer contribution rates paid by those state agencies. Given the timing of PSPRS/CORP actuarial valuations, the employer contribution rates would be reduced beginning in FY 2024.

The bill would increase General Fund spending by \$87.7 million one-time in FY 2022. Beginning in FY 2024, we estimate that annual PSPRS/CORP employer contributions would be reduced by \$9.2 million, with \$1.7 million of those savings accruing to the General Fund and \$7.5 million of those savings accruing to non-General Fund sources.

Table 1 includes the deposit by employer group, the resulting contribution rate decrease, and the General Fund and non-General Fund savings by employer group.

Table 1					
<u>Employer Group</u>	<u>General Fund Deposit</u>	<u>Contribution Rate Percentage Change</u>	<u>GF Savings</u>	<u>Non-GF Savings</u>	<u>Total</u>
PSPRS - State Agencies					
DEMA	8,542,800	31.25%	-	813,100	813,100
Attorney General	9,117,700	32.80%	51,000	1,015,800	1,066,800
Dept. of Liquor	7,628,900	100.41%	-	865,700	865,700
State Parks	8,820,600	105.92%	-	792,200	792,200
ASU Police	23,565,000	36.64%	-	1,845,800	1,845,800
U of A Police	15,645,900	36.76%	787,100	1,912,400	2,699,500
NAU Police	7,725,600	46.94%	232,000	236,400	468,400
Total	81,046,500		1,070,100	7,481,400	8,551,500
CORP - State Agencies					
DPS – Dispatch	6,351,900	76.25%	622,800	21,500	644,300
DPS – Detention	309,200	7.19%	24,000	800	24,800
Total	6,661,100		646,800	22,300	669,100

(Continued)



Analysis

Based on data provided by PSPRS, by appropriating \$87.7 million to the various PSPRS/CORP employer groups as listed in *Table 1*, the employer groups' contribution rates would decrease by the percentages listed. These contribution rate changes were then applied to the agencies' PSPRS/CORP salary bases, which reflect the amounts and fund sources as reported in FY 2023 agency budget requests.

Given the timing of PSPRS/CORP actuarial valuations, the employer savings amounts displayed in *Table 1* would occur beginning in FY 2024. Any estimate of savings beyond FY 2024 would depend on the long-term actuarial performance of the PSPRS/CORP plans, such as annual investment returns.

Local Government Impact

None, as the bill's appropriation would only impact the state PSPRS/CORP employer groups listed in *Table 1* and would not impact local government PSPRS/CORP contribution rates.

1/26/22